

Office of the Inspector General

May 12, 2000

William A. Halter  
Deputy Commissioner  
of Social Security

Inspector General

Implementation of Drug Addiction and Alcoholism Provisions of Public Law 104-121  
(A-01-98-61014)

Attached is a copy of our final report. Our objective was to determine whether the Social Security Administration identified all beneficiaries and recipients for whom drug addiction and/or alcoholism was a contributing factor material to the finding of disability.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

James G. Huse, Jr.

Attachment

---

**OFFICE OF  
THE INSPECTOR GENERAL**

---

**SOCIAL SECURITY ADMINISTRATION**

---

**IMPLEMENTATION OF DRUG  
ADDICTION AND ALCOHOLISM  
PROVISIONS OF  
PUBLIC LAW 104-121**

**May 2000**

**A-01-98-61014**

---

**AUDIT REPORT**

---



---

# EXECUTIVE SUMMARY

---

## OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) identified all beneficiaries and recipients for whom drug addiction and/or alcoholism (DAA) was a contributing factor material to the finding of disability.

## BACKGROUND

The Social Security Act was amended on March 29, 1996 as part of the Contract with America Advancement Act of 1996 (Public Law 104-121) to prohibit the payment of Disability Insurance (DI) benefits and Supplemental Security Income (SSI) payments if DAA is material to the finding of disability. DAA is material to the finding of disability when the evidence establishes that the individual would not be disabled if he/she stopped using drugs or alcohol. Public Law (P.L.) 104-121 required SSA to terminate DI benefits and SSI payments for individuals whose disabilities were based on DAA. If beneficiaries timely appealed their terminations, this law required SSA to conduct medical redeterminations by January 1, 1997.

Each disability record contains a DAA indicator that shows whether DAA is material, as well as a primary diagnosis (DIG) code showing the condition that renders the individual disabled. SSA relied solely on the DAA indicator in determining whether DAA was material under P.L. 104-121, and did not consider an individual's DIG code. DIG codes 3030 and 3040 are SSA's diagnosis codes for Alcohol Substance Addiction Disorders and Drug Substance Addiction Disorders, respectively.

We identified 19,946 cases with a DAA indicator showing that DAA was material and/or a DIG code representing alcohol or drug addiction. We provided a file of the 19,946 cases to SSA officials for their review and they asserted in December 1998 that:

- 16,677 cases were either properly handled or miscoded and no further review was necessary. Specifically, 14,498 cases were properly handled (i.e., DAA was not material and DIG code and DAA indicator were correct) and 2,179 cases were miscoded as DAA and SSA planned to re-code these cases. (Of these 16,677 cases, 10,611 were SSI recipients and 6,066 were DI beneficiaries.)
- 3,269 cases did not have sufficient information available on SSA's DAA control file for SSA to determine whether DAA was material. SSA agreed to review these 3,269 cases to determine whether the provisions of P.L. 104-121 applied.

## RESULTS OF REVIEW

SSA did not identify and terminate benefits to all beneficiaries for whom DAA was a contributing factor material to the finding of disability in accordance with P.L. 104-121. Our review of DIG codes and DAA indicators on the Master Beneficiary Record and Supplemental Security Record identified 19,946 cases with a DAA indicator and/or a DIG code which represented alcohol and/or drug addiction. We reviewed 300 of the 19,946 cases identified to determine whether benefits should have been terminated under the provisions of P.L. 104-121 and whether cases were properly handled and/or miscoded.

Specifically, our review of 300 cases identified 52 individuals who are receiving benefits with a DAA indicator or DIG code representing drug or alcohol addiction. A total of \$782,659 in benefits was paid to these 52 individuals between January 1997 and June 1999. Projecting these results to our population, we estimate that 3,190 individuals were incorrectly paid \$38.74 million in benefits from the date P.L. 104-121 took effect through the date we reviewed the cases. Under SSA's current procedures, SSA will not seek recovery of these benefits. SSA's procedures state that the termination of benefits based on DAA will not be retroactive to January 1, 1997 due to the fact that these individuals were not previously notified of the effect of the law on their benefits.

Additionally, we found cases were miscoded as DAA on SSA's information systems. Specifically, we found 238 of 300 cases were coded to indicate that the cases were DAA even though DAA was not material. Projecting this to the population, we estimate that 14,420 individuals do not have the correct DIG codes and/or DAA indicators on their records to show that DAA is not material to the finding of disability. Incorrect coding could impact SSA's ability to identify cases affected by new legislation, as well as to profile cases for continuing disability reviews (CDR).

## RECOMMENDATIONS

We recommend that SSA:

- Review the 10,611 SSI cases that it asserted were either properly handled or miscoded and apply the provisions of P.L. 104-121 where appropriate.
- When conducting the next scheduled CDR for the 6,066 DI cases in our extract, ensure that benefits are terminated if DAA is material to the finding of disability.
- Ensure that the 3,269 cases it agreed to review are completed, the coding corrected, and the benefits terminated where appropriate.
- Modify its systems so that primary DIG codes of 3030 and 3040 will no longer be accepted.

## **AGENCY COMMENTS**

In response to our draft report, SSA agreed with all of our recommendations. (See Appendix B for the full text of SSA's comments to our draft report.)

---

# TABLE OF CONTENTS

---

	Page
<b>EXECUTIVE SUMMARY .....</b>	<b>i</b>
<b>INTRODUCTION .....</b>	<b>1</b>
<b>RESULTS OF REVIEW .....</b>	<b>4</b>
CASES SSA ASSERTED WERE PROPERLY HANDLED OR MISCODED .....	4
• DAA Cases Not Properly Handled .....	5
• Miscoded DAA Cases.....	6
CASES SSA AGREED TO REVIEW .....	8
<b>RECOMMENDATIONS .....</b>	<b>10</b>
<b>APPENDICES</b>	
APPENDIX A – Sampling Methodology and Results	
APPENDIX B – Agency Comments	
APPENDIX C – Major Contributors to this Report	
APPENDIX D – SSA Organizational Chart	

---

# INTRODUCTION

---

## OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) identified all beneficiaries and recipients for whom drug addiction and/or alcoholism (DAA) was a contributing factor material to the finding of disability.

## BACKGROUND

The Social Security Act was amended on March 29, 1996 as part of the Contract with America Advancement Act of 1996 (Public Law 104-121) to prohibit the payment of Disability Insurance (DI) benefits and Supplemental Security Income (SSI) payments if DAA is material to the finding of disability. This law required SSA to terminate DI benefits and SSI payments for individuals whose disabilities were based on DAA. If beneficiaries timely appealed their terminations, this law required SSA to conduct medical redeterminations<sup>1</sup> by January 1, 1997.

DAA is material to the finding of disability only when the evidence establishes that the individual would not be disabled if he/she stopped using drugs or alcohol. The key factor SSA considers is which of the current physical and mental limitations, upon which SSA based the current disability determination, would remain if the individual stopped using drugs or alcohol and whether any or all of these remaining limitations would still be disabling.

Each disability record contains a DAA indicator that shows whether DAA is material, as well as a primary diagnosis (DIG) code showing the condition that renders the individual disabled. SSA used the DAA indicator to identify which beneficiaries should be sent termination notices based on the provisions of Public Law (P.L.) 104-121. Specifically, SSA established procedures that called for termination notices to be sent to those beneficiaries with a DAA indicator of A, D, or B.<sup>2</sup> SSA created a DAA control file to track those individuals notified of termination due to P.L. 104-121 and any subsequent appeals.

As of May 30, 1997, SSA had notified 209,374 individuals that their benefits would terminate under P.L. 104-121. Of these 209,374 individuals:

---

<sup>1</sup> A medical redetermination is when SSA reviews the evidence associated with the case to determine whether the individual is disabled.

<sup>2</sup> A - Alcohol material to finding of disability. D - Drugs material to finding of disability. B - Both drugs and alcohol material to finding of disability.

- 67 percent actually had their benefits terminated after all appeals;
- 31 percent appealed the DAA termination and continued to receive benefits based on a disability other than DAA; and
- 2 percent continued their benefits because these individuals were incorrectly identified as DAA cases.

At the start of our audit work in September 1998, SSA asserted that only 43 individuals continued to receive benefits due to DAA. Specifically, 38 cases were still receiving benefits due to the Montague court decision,<sup>3</sup> and 5 cases were still pending appeals.

SSA did not consider an individual's primary DIG code in identifying cases subject to P.L. 104-121, but relied solely on the DAA indicator. The DIG code refers to the basic condition that renders the individual disabled and is an integral part of each disabled individual's permanent record. DIG codes 3030 and 3040 are the codes for Alcohol Substance Addiction Disorders and Drug Substance Addiction Disorders, respectively.

SSA used DIG codes 3030 and 3040 to identify DI DAA cases in 1994 in order to implement the provisions of P.L. 103-296. Section 201 of P.L. 103-296 required SSA to identify beneficiaries and recipients for whom DAA was material to the finding of disability and then notify and apply the provisions of the law affecting their benefit payments.<sup>4</sup> At the time this law was enacted, DI records did not contain DAA indicators, even though SSI records did have DAA indicators. Therefore, SSA used DIG codes 3030 and 3040 to identify DI DAA cases. A little over a year later, when P.L. 104-121 was enacted, SSA did not use the DIG code to identify DAA cases, but relied solely on the DAA indicator.

## SCOPE AND METHODOLOGY

We obtained an extract from SSA identifying 19,946 individuals eligible for payments with a DAA indicator equal to A, D, or B, and/or a DIG code equal to 3030 or 3040. Specifically, we identified 3,071 cases with a DAA indicator of A, D, or B; and 16,875 cases with a DIG code of 3030 or 3040. (See Appendix A for a breakdown of our results based on DAA indicator and DIG code.) This population of 19,946 cases includes 11,035 SSI recipients identified in September 1998 and 8,911 DI beneficiaries identified in October 1998.<sup>5</sup> Our criteria for identifying DAA cases using both the

---

<sup>3</sup> The U.S. District Court for the State of Maryland, in the case *Montague v. Callahan*, approved a settlement that would require SSA to restore DI and SSI benefits based on DAA in the Montague denial and other similarly situated undecided cases for months after December 1996.

<sup>4</sup> P.L. 103-296, the Social Security Independence and Program Improvements Act of 1994, was enacted on August 15, 1994 and required individuals entitled to disability benefits based on DAA to obtain a representative payee and undergo substance abuse treatment (if available). This law affected benefits paid after February 1995.

<sup>5</sup> Eleven of the beneficiaries/recipients who were receiving benefits in September/October 1998 were not receiving benefits when P.L. 104-121 was implemented by SSA. Our analysis of these 11 cases showed that DAA was not material, but that the cases were miscoded as DAA.



primary DIG code and the DAA indicator differed from SSA's procedures for identifying individuals affected by P.L. 104-121, which only used the DAA indicator.<sup>6</sup>

We provided a file of these 19,946 records to SSA for its review to determine whether these individuals' benefits should have been terminated under P.L. 104-121. In December 1998, SSA asserted that:

- 16,677 cases were either properly handled or miscoded and no further review was necessary. Specifically, 14,498 cases were properly handled (i.e., DAA was not material and the DIG code and DAA indicator were correct) and 2,179 cases were miscoded as DAA and SSA planned to re-code these cases. (Of these 16,677 cases, 10,611 were SSI recipients and 6,066 were DI beneficiaries.)
- 3,269 cases did not have sufficient information available on SSA's DAA control file for SSA to determine whether DAA was material. SSA agreed to review these 3,269 cases to determine whether the provisions of P.L. 104-121 applied.

Using a stratified sample design, we reviewed 300 cases. Specifically, we randomly sampled and reviewed 100 cases from the 16,677 records SSA asserted were either properly handled or miscoded as DAA to determine whether these cases should have been reviewed by SSA prior to January 1, 1997 under P.L. 104-121. We quantified the amount of benefits paid to those individuals whose benefits were not terminated by SSA as required by P.L. 104-121, if the evidence in the case indicated that DAA may be material. If the evidence in the case showed that DAA was not material, we determined whether the cases were incorrectly coded as DAA cases. We considered a case to be incorrectly coded as DAA if it had a primary DIG code equal to 3030 or 3040 and/or a DAA indicator equal to A, D, or B.

Additionally, we randomly sampled and reviewed 200 cases from the 3,269 records SSA agreed to review after analyzing our original extract of 19,946 records. We quantified the number of cases that were miscoded as DAA and subsequently corrected by SSA, as well as the cases that were DAA and should have been terminated under the provisions of P.L. 104-121. If DAA was material, we quantified the amount of benefits paid since P.L. 104-121 took effect in January 1997. (See Appendix A for our sampling methodology.)

We conducted our review between August 1998 and September 1999 in Boston, Massachusetts. We conducted our review in accordance with generally accepted government auditing standards.

---

<sup>6</sup> Our criteria of using both the DIG code and the DAA indicator was similar to the criteria SSA used to identify DAA cases under P.L. 103-296.

---

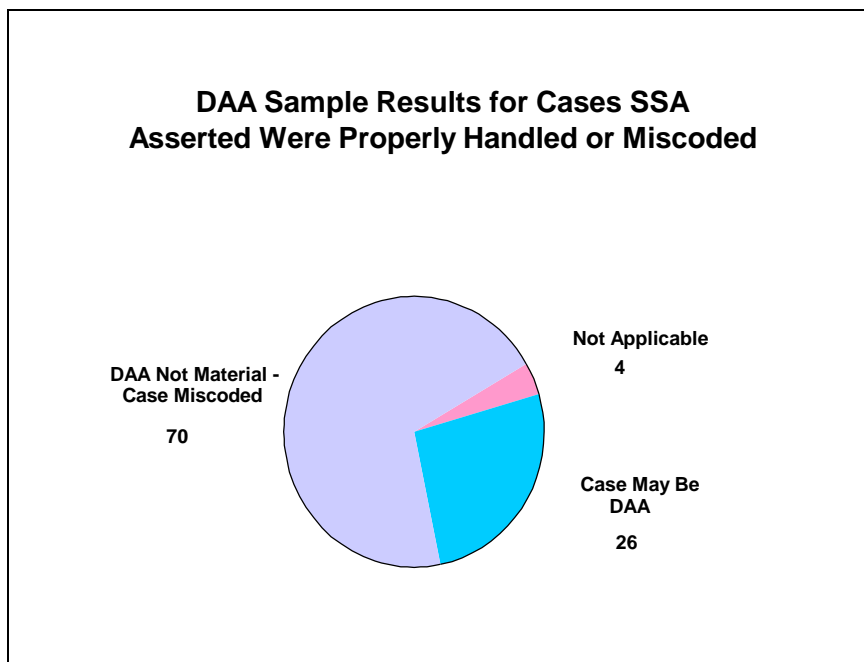
# RESULTS OF REVIEW

---

SSA did not identify and terminate disability benefits to all beneficiaries for whom DAA was a contributing factor material to the finding of disability in accordance with P.L. 104-121. We estimate that 3,190 individuals were incorrectly paid \$38.74 million<sup>7</sup> in benefits from the date P.L. 104-121 took effect (January 1997) through the date we reviewed the cases (June 1999). Additionally, we estimate that 14,420 individuals do not have the correct DIG codes and/or DAA indicators on their records to show that DAA is not material to the finding of disability.

## CASES SSA ASSERTED WERE PROPERLY HANDLED OR MISCODED

We reviewed 100 of the 16,677 cases SSA asserted were either properly handled or miscoded. These 100 cases included 11 with a DAA indicator of A, D, or B and 89 with a DIG code of 3030 or 3040. Our review of the 100 cases revealed that:



- In 26 cases, DAA could be material and these cases should be reviewed under P.L. 104-121. The DIG codes for these cases were 3030 or 3040.<sup>8</sup> Documentation for 23 of these 26 cases, dated prior to the enactment of P.L. 104-121, indicated that DAA was material to the finding of disability. In the remaining 3 cases, we could not rule out DAA because of

insufficient information. We could not identify any information indicating that SSA had reviewed the medical condition of these individuals after the law was enacted. A total of \$299,383 in benefits was paid to these 26 individuals between

---

<sup>7</sup> We adjusted our projection to reflect the 67 percent final cessation rate of DAA cases under P.L. 104-121, as shown in the Background section of this report.

<sup>8</sup> None of the 26 cases had a DAA indicator of A, D, or B.

January 1997 and December 1998. Of these 26 individuals, 25 were SSI recipients and 1 was a DI beneficiary. (See the following section on Newly Discovered DAA Cases.)

- Seventy cases were miscoded as DAA. Our review found that DAA is not material to the finding of disability for these cases, despite the fact that 10 cases had a DAA indicator equal to A, D, or B and 60 cases had a DIG code of 3030 or 3040. The evidence for the cases showed that the individuals would still be disabled if they stopped using alcohol or drugs. Our review also noted that SSA corrected the DIG code and DAA indicator for 14 of the cases after the start of our audit, but the DIG code for 56 cases remains incorrect. (See the section on Miscoded DAA Cases below.)
- Four cases were not applicable.<sup>9</sup> For two cases, the beneficiaries were deceased; and for the other two cases, SSA identified them as newly discovered DAA cases prior to the start of our review.

### **DAA Cases Not Properly Handled**

DAA may be a contributing factor material to the finding of disability in 26 cases that were receiving benefits as of September 1999. The beneficiaries were not identified on SSA's electronic records as DAA, and as a result, SSA did not apply the provisions of P.L. 104-121. These 26 cases had DIG codes equal to 3030 or 3040.

SSA asserted in December 1998 that these 26 cases were either properly handled or miscoded.<sup>10</sup> However, we found evidence that showed DAA was material to the finding of disability for 23 of these cases; and in 3 cases, we could not rule out DAA as being material because of insufficient documentation in the case folders. For example, 1 of the 23 individuals in our sample was selected for review because she was receiving benefits and had a DIG code of 3030 (Alcohol Substance Addiction Disorders). The DAA indicator for this case was "N" (DAA not material). Our review of the case folder identified the following documents:

1. An Office of Hearings and Appeals (OHA) decision, dated April 29, 1993 stated, "Substance abuse is a substantial reason for the finding of disability and the conferring of benefits in this case."
2. A Request To Be Selected As Payee, dated May 6, 1993, requesting the recipient have a representative payee to manage her funds because she is a "drug addict and alcoholic."
3. A memorandum, dated May 24, 1993, regarding the appellate decision in this case, requesting the SSA Disability Review Section (DRS) review the

---

<sup>9</sup> One case had a DAA indicator equal to A and three cases had a DIG code equal to 3030.

<sup>10</sup> SSA asserted that 25 cases were properly handled and 1 case was miscoded.

medical evidence to determine whether DAA contributed to the finding of disability. The DRS responded that “DAA was a contributing factor” and the claimant was determined to be an alcoholic.

4. A Supplemental Security Record (SSR), dated May 14, 1993, showed a DIG code of 0010 (Cholera due to *Vibrio cholerae*) and a DAA indicator of “N.” A subsequent SSR, dated July 20, 1993 showed the DIG code was updated to 3030 to reflect the DAA diagnosis; however, the DAA indicator remained “N” indicating that DAA was not material to the finding of disability.

There was no documentation in the case folder to indicate that this individual’s medical condition was reviewed after the passage of P.L. 104-121. Also, the SSR and the Continuing Disability Review Control File show that this case was not reviewed by SSA between the DAA determination in 1993 and our audit work in 1999.

Based on the OHA decision and DRS review of the medical evidence, DAA was material to the finding of disability in the above example, but the DAA indicator was miscoded as “N” indicating that DAA was not material. Since SSA identified DAA cases requiring the termination of benefits under P.L. 104-121 as those cases with a DAA indicator of A, D, or B, this case was not identified and benefits were not terminated. SSA’s DAA control file had no record of this individual being sent a DAA termination notice under P.L. 104-121. Between the effective date of P.L. 104-121 (January 1997) and December 1998, this individual received a total of \$11,736 in SSI disability payments.

We provided the details of these 26 cases to SSA officials and they agreed with our overall conclusion that SSA did not identify and terminate disability benefits to all beneficiaries for whom DAA was a contributing factor material to the finding of disability in accordance with P.L. 104-121. We projected the results of our sample to the population of 16,677 cases SSA asserted were properly handled or miscoded. We estimate that 2,905 of these individuals were potentially overpaid \$33.45 million in disability benefits since P.L. 104-121 prohibited such payments.

For cases where DAA is found to be material but termination notices were not issued by January 1997, SSA established procedures in June 1999 on the handling of these cases. SSA’s procedures state that the termination of benefits based on DAA will not be retroactive to January 1, 1997. Therefore, benefits paid to newly discovered DAA cases will not be pursued for recovery.

### **Miscoded DAA Cases**

Seventy of the 100 sample cases we reviewed were miscoded on SSA’s electronic records, indicating that the cases were DAA even though DAA was not material. Specifically, the SSR and Master Beneficiary Record (MBR) showed DIG codes equal to 3030 or 3040 on 60 cases and DAA indicators equal to A, D, or B on 10 cases; but

the evidence associated with the cases showed that DAA was not material. For example, we selected one case for review because it had a DIG code equal to 3030. The DAA indicator on this case was “N.” Upon reviewing the evidence associated with the case, we found that DAA was not material. Specifically, the:

1. Remarks section of the Compliance History File stated that it was “Decided on March 4, 1997 that DAA not material.”
2. Remarks section of Form 831<sup>11</sup>, dated March 3, 1997, stated “DAA is not material” and a new DIG code of 2960 (Affective/Mood Disorders) was selected.
3. Notice of Redetermination, dated March 4, 1997, stated “After reviewing all the information carefully, we have decided that alcohol addiction is not a contributing factor material to your disability.”

In the above example, the new DIG code that was shown on Form 831 was not placed on the MBR. Therefore, the DIG was miscoded when we obtained our extract of DAA cases in October 1998.

The DIG code refers to the basic medical condition that renders an individual disabled, and SSA uses it in profiling cases for continuing disability reviews (CDR).<sup>12</sup> Specifically, the DIG code, along with other characteristics of the individual, is used by SSA to determine how a medical examination diary date is handled. The diary date sets the timing of the CDR, and it is an important element for determining when a CDR is to be performed. Additionally, the DIG code may be used to identify cases requiring a CDR due to a change in legislation. For example, SSA used DIG codes 3030 and 3040 to identify DI cases when P.L. 103-296 was enacted, and it identified cases needing review under P.L. 104-193 using five specific DIG codes.<sup>13</sup> In the example above, if SSA wanted to identify all beneficiaries with affective disorder for a CDR, or if a law was enacted that required SSA to terminate benefits to individuals with this diagnosis, SSA may not identify this case because the coding is incorrect on the MBR.

In December 1998, SSA had asserted that 56 of the 70 cases were properly coded while the remaining 14 cases were miscoded. As of July 1999, we found that for these 70 cases, SSA had corrected the DAA indicator on 9 cases, the DIG code on 5 cases, and both the DAA indicator and DIG code on 3 cases.<sup>14</sup>

---

<sup>11</sup> SSA uses Form 831 to document initial disability decisions.

<sup>12</sup> A CDR is a periodic review by SSA of an individual’s medical condition to ensure that the individual receiving disability benefits continues to be disabled.

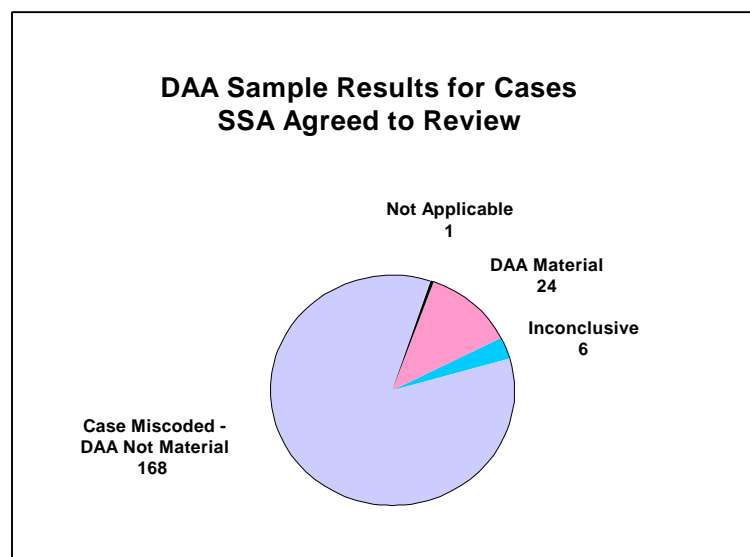
<sup>13</sup> The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) included a number of changes affecting the SSI childhood disability evaluation and determination process. SSA used DIG codes 3010, 3120, 3138, 3140, and 3180 to identify cases affected by this legislation.

<sup>14</sup> This totals to 17 cases that had their DIG and/or DAA code corrected. However, 3 of the 17 cases only had the DAA indicator corrected and the DIG code remains miscoded. Therefore, only 14 cases had their coding completely corrected by SSA.

Prior to June 1999, when SSA issued additional instructions<sup>15</sup> for working DAA cases, there were no clear guidelines that required the DAA indicator to correspond with the DIG code. The June 1999 guidelines issued by SSA state that DIG codes 3030 and 3040 should not be used as the primary diagnosis code if DAA is not material to the finding of disability. Also, these instructions direct employees to update the DIG code to a code other than 3030 or 3040 if DAA is not material.<sup>16</sup> This differs from earlier instructions which did not take into consideration an individual's diagnosis code as an indicator that DAA may be material to the finding of disability. Projecting the 70 miscoded cases to the population of 16,677, we estimate that 11,674 cases are miscoded as DAA.

## CASES SSA AGREED TO REVIEW

SSA agreed to review 3,269 of the 19,946 cases we identified as possible DAA cases in our initial extract. These 3,269 cases did not contain sufficient electronic information to determine whether DAA was material to the finding of disability. To assess SSA's review of the 3,269 cases, we randomly sampled 200 of them and found that:



- In 26 cases, DAA was material to the finding of disability. The DIG code for 17 cases showed that the primary diagnosis was drug addiction or alcoholism and the DAA indicator on 9 cases showed that DAA was material to the finding of disability. In response to our initial audit work, SSA reviewed these cases. As a result of that review, SSA is no longer paying benefits to these

individuals or is continuing payments while the individuals are appealing their cases. A total of \$483,276 in benefits was paid to these individuals between January 1997 and June 1999.

- In 168 cases, DAA was not material to the finding of disability, but the DIG code and/or DAA indicator were miscoded. Specifically, a DIG code of 3030 or 3040 was recorded on 77 of the cases and a DAA indicator of A, D, or B was recorded on 91 of the cases even though the evidence associated with the cases showed that DAA was not material to the finding of disability. Another

<sup>15</sup> Emergency Message 99057 dated June 7, 1999.

<sup>16</sup> These instructions are proactive. SSA did not apply them retroactively.

disability, other than DAA, qualified these individuals for benefits. The miscoding was corrected on 127 of these cases, but 41 cases remain miscoded as of

August 31, 1999. On these 41 cases, the DAA indicator was corrected, but the DIG code was not corrected. The DIG code on these cases remains 3030 or 3040.

- In five cases our review was inconclusive. Three of these cases had a DIG code of 3030 and two of these cases had a DAA indicator of A, D, or B. SSA has been unable to locate the case folders for these five cases and we were unable to ascertain from electronic records whether DAA was material or whether SSA had completed its review.
- In one case, which had a DAA indicator of D, we did not complete our review because the individual is deceased.

Projecting these results to the population of 3,269 cases, we estimate that 285 individuals were incorrectly paid \$5.29 million in disability benefits since P.L. 104-121 took effect. Since SSA did not notify these beneficiaries of the effect of P.L. 104-121 on their benefits when the law was enacted, SSA decided to not terminate the benefits retroactively to the effective date of P.L. 104-121. Therefore, the benefits paid since January 1997 on these newly discovered DAA cases will not be pursued for recovery. Additionally, we project that 2,746 of the 3,269 cases were miscoded as DAA.



---

## RECOMMENDATIONS

---

We recommend that SSA:

1. Review the 10,611 SSI cases that it asserted were either properly handled or miscoded and apply the provisions of P.L. 104-121 where appropriate.
2. When conducting the next scheduled CDR for the 6,066 DI cases in our extract, ensure that benefits are terminated if DAA is material to the finding of disability.
3. Ensure that the 3,269 cases it agreed to review are completed, the coding corrected, and the benefits terminated where appropriate.
4. Modify its systems so that primary DIG codes of 3030 and 3040 will no longer be accepted.

### AGENCY COMMENTS

In response to our draft report, SSA agreed with our recommendations and stated that corrective actions have already been initiated and/or completed.

# **APPENDICES**

## SAMPLING METHODOLOGY AND RESULTS

We obtained from the Social Security Administration (SSA) two data extracts (one from the Supplemental Security Record and the other from the Master Beneficiary Record) of all disabled individuals eligible for payments with a diagnosis (DIG) code equal to 3030 or 3040 and/or a drug addiction or alcoholism (DAA) indicator equal to A, D, or B. We stratified these records into two strata. The first consisted of 16,677 records which SSA asserted were either handled properly or miscoded as DAA cases. The second stratum consisted of 3,269 records which SSA agreed to review because DAA may be material to the finding of disability.

For the first stratum, we randomly sampled and reviewed 100 cases and determined the total benefits paid for the period January 1997 through December 1998. For the second stratum, we randomly sampled and reviewed 200 cases and determined the total benefits paid for the period January 1997 through June 1999. The table below shows our results. In projecting our results to the population, we took into account that only 67 percent of the individuals had their benefits terminated in the DAA cases originally identified by SSA. As such, we adjusted the results of our projections by 67 percent.

Sample Results and Projections			
	Strata 1	Strata 2	Total
Population size	16,677	3,269	19,946
Sample size	100	200	300
<b>Attribute Projection – DAA Material</b>			
Sampled cases where DAA may be material to the finding of disability	26	26	52
Projection of beneficiaries where DAA may be material	4,336	425	4,761
Projection lower limit			3,549
Projection upper limit			5,973
Adjustment to estimate of beneficiaries where DAA may be material to reflect 67 percent termination rate	2,905	285	3,190

	Strata 1	Strata 2	Total
<b>Attribute Projection – DAA Miscoded</b>			
Sampled cases where DAA was not material and the cases were miscoded	70	168	238
Projection of beneficiaries where DAA was not material and the cases were miscoded	11,674	2,746	14,420
Projection lower limit			13,153
Projection upper limit			15,687
<b>Dollar Projection – DAA Material</b>			
Benefits paid in sample cases when DAA may be material	\$299,383	\$483,276	\$782,659
Projection of benefits paid when DAA may be material	\$49,928,081	\$7,899,149	\$57,827,230
Projection lower limit			\$42,798,623
Projection upper limit			\$72,855,837
Adjustment to estimate of benefits paid when DAA may be material to reflect 67 percent termination rate	\$33,451,814	\$5,292,430	\$38,744,244

Notes: All projections are at the 90-percent confidence level. The total column in some instances is off by one dollar due to rounding.

Analysis of Results by DAA Indicator and DIG Code			
	Strata 1	Strata 2	Total
<b>Population size</b>	<b>16,677</b>	<b>3,269</b>	<b>19,946</b>
Cases with a DAA indicator of A, B, or D	1,342	1,729	3,071
Cases with a DIG code of 3030 or 3040	15,335	1,540	16,875
<b>Sample size</b>	<b>100</b>	<b>200</b>	<b>300</b>
<b>Sample Cases with a DAA indicator of A, B, or D</b>	<b>11</b>	<b>103</b>	<b>114</b>
Cases where DAA may be material	0	9	9
Cases that were miscoded as DAA	10	91	101
Cases that were inconclusive	0	2	2
Cases that were not applicable	1	1	2
<b>Sample Cases with a DIG code of 3030 or 3040</b>	<b>89</b>	<b>97</b>	<b>186</b>
Cases where DAA may be material	26	17	43
Cases that were miscoded as DAA	60	77	137
Cases that were inconclusive	0	3	3
Cases that were not applicable	3	0	3

## AGENCY COMMENTS

---

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE  
OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT,  
"IMPLEMENTATION OF DRUG ADDICTION AND ALCOHOLISM PROVISIONS  
OF PUBLIC LAW (P.L.) 104-121" (A-01-98-61014)

Thank you for the opportunity to review the above subject audit report. Accurate implementation of the provisions of P.L. 104-121 is a significant issue for SSA.

The Agency has worked aggressively to successfully implement this legislation and has in fact conducted hundreds of thousands of reviews resulting in nearly 120,000 terminations of benefits. Nevertheless, the OIG has identified a relatively small group of cases involving drug addiction and alcoholism (DAA) that were not reviewed.

The cases identified by the OIG involve instances where coding anomalies resulted in cases not being selected for review. These coding anomalies, i.e., annotations to our files that DAA was not material to the finding of disability, largely occurred before 1994 when the involvement of DAA did not affect eligibility. The OIG believes, and we concur, that these cases should be reviewed.

We thank the OIG for identifying this small cohort of cases and accept their recommendations. All the potentially affected cases have been released for review. As a priority issue, all reviews will be completed as expeditiously as possible and all reviews will certainly be concluded by the close of the fiscal year.

Finally, we would note that while the OIG estimates that as a result of our reviews of these cases, over 3,000 individuals may have their benefits terminated, our experience leads us to believe that fewer terminations may result because individuals are likely to remain eligible based on other disabling impairments. Despite this difference of opinion about the potential impact of the reviews, we completely agree with the need to perform them in order to ensure program integrity.

Following are our comments on specific recommendations.

1. OIG Recommendation

Review the 10,611 SSI cases that the Agency asserted were either improperly handled or miscoded and apply the provisions of P.L. 104-121 where appropriate.

SSA Comment

We agree. These cases have been released for priority review.

2. OIG Recommendation

When conducting the next scheduled CDR for the 6,066 DI cases in our extract, ensure that benefits are terminated if DAA is material to the finding of disability.

SSA Comment

We agree. Affected cases have already been released for priority review.

3. OIG Recommendation

Ensure that the 3,269 cases the Agency had previously agreed to review are completed, the coding corrected, and the benefits terminated where appropriate.

SSA Comment

We agree. Except for about 50 cases, the review of all of these cases has been completed, and the remaining cases will be completed shortly.

4. OIG Recommendation

Modify systems so that primary DIG codes of 3030 and 3040 will no longer be accepted.

SSA Comment

We agree. In August 1999, SSA completed modifying its systems to preclude the primary DIG codes of 3030 and 3040 in all cases except denials. We believe that when a case is denied because DAA is material to the finding of disability, use of DIG 3030 or 3040 is appropriate.



## MAJOR CONTRIBUTORS TO THIS REPORT

---

Office of the Inspector General

Roger J. Normand, Director, Disability Program Audit Division

Rona Rustigian, Deputy Director

Judith Oliveira, Auditor

David Mazzola, Auditor

Kevin Joyce, Auditor

Katie Hallock, Auditor

For additional copies of this report, please contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-5998. Refer to Common Identification Number A-01-98-61014.

# SSA ORGANIZATIONAL CHART

---